

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5283-04
Bill No.: SCS for HB 1495
Subject: Economic Development; Business and Commerce
Type: Original
Date: April 14, 2014

Bill Summary: This proposal creates a new program for disbursing grants through Early Stage Business Development Corporations.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	(\$54,400 to \$9,054,400)	(\$62,583 to \$9,062,583)	(\$63,267 to \$9,063,267)
Total Estimated Net Effect on General Revenue Fund	(\$54,400 to \$9,054,400)	(\$62,583 to \$9,062,583)	(\$63,267 to \$9,063,267)

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This proposal establishes a process for designating Early Stage Business Development Corporations in the state and directs the state to pay a total of \$9 million annually for four consecutive fiscal years to these corporations beginning in FY 2015. This legislation will not impact Total State Revenue; however, it could increase General Revenue expenditures, subject to appropriation. This proposal may encourage economic activity, but BAP does not have data to estimate induced revenues.

Officials at the **Department of Economic Development (DED)** assume this proposal will have a negative impact ranging from \$0 - \$9 million dollars; however, since this is subject to appropriation, DED assumes no impact until such approval has been met. Once the appropriation has been made DED assumes that the Missouri Technology Corporation (MTC) will need one additional FTE to administer the program. The FTE will be an Economic Development Incentives Specialist and will be responsible for reviewing applications of the Early State Business Development Corporations, approving applications, creating program guidelines, and distribution of appropriated funds.

Officials at the **Department of Revenue** assume this proposal will not have an impact on the Department but will reduce State Revenues.

Officials at the **University of Missouri** assume this could have a positive fiscal impact particularly in the areas of faculty start up companies.

Oversight assumes the creation of this new program outlined in this proposal may have a positive impact on the state. However, Oversight considers this to be an indirect impact of the proposal and will not reflect it in this fiscal note.

Oversight has corrected the salary information for the Economic Development Incentives Specialist.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
GENERAL REVENUE			
<u>Revenue Reduction</u> - money for early stage business development corporations	\$0 to (\$9,000,000)	\$0 to (\$9,000,000)	\$0 to (\$9,000,000)
<u>Cost</u> - Missouri Technology Corporation - for FTE and expenses	<u>(\$54,400)</u>	<u>(\$62,583)</u>	<u>(\$63,267)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>(\$54,400 to \$9,054,400)</u>	<u>(\$62,583 to \$9,062,583)</u>	<u>(\$63,267 to \$9,063,267)</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that receive the funding may be impacted.

FISCAL DESCRIPTION

This bill requires the Missouri Technology Corporation (MTC) to distribute \$9 million for four fiscal years to no more than six Early Stage Business Development Corporations (ESBDC). An "ESBDC" is a not-for-profit corporation designated by the MTC to receive funds and award grants to winners of national or international competitions for early stage businesses with substantial operations or that are beginning operations in Missouri and have the potential for national or international sales or the development of new technologies. To be eligible for designation, the ESBDC must provide grants to for-profit companies without taking an equity interest in the company, and the grants must not be loans in the three largest metropolitan statistical areas (MSAs). The grants are limited to \$200,000 per company.

The grants must be distributed as follows:

- (1) One ESBDC in each of the three largest MSAs will receive \$2 million;
- (2) One ESBDC in a MSA containing the city of Columbia will receive \$2 million; and
- (3) Two ESBDCs operating in rural Missouri or smaller MSAs will receive \$500,000.

JH:LR:OD

FISCAL DESCRIPTION (continued)

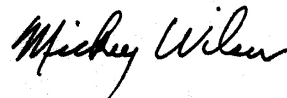
If the funds are not used in one area they may be redistributed to other ESBDCs in the same category. To be eligible for designation by the MTC, a not-for-profit in one of the three largest MSAs or an MSA containing the city of Columbia must raise at least \$2 million from other sources, and a not-for-profit in another MSA area of the state must raise at least \$150,000 from other sources prior to applying for the first time.

This section sunsets 4 years after the effective date unless this section is renewed.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Revenue
Office of Administration
Division of Budget and Planning
University of Missouri



Mickey Wilson, CPA
Director
April 14, 2014

Ross Strobe
Assistant Director
April 14, 2014